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Message Text

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INFO OCT-01 ISO-00 SAJ-01 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02

SS-15 USIA-15 AID-05 COME-00 EB-07 FRB-01 TRSE-00

XMB-04 OPIC-06 CIEP-02 LAB-03 SIL-01 OMB-01 AGR-10

/109 W
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R 291703Z NOV 74
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 4702
INFO AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EALR, EFIN, EGEN, FR
SUBJECT: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS

REF: PARIS 27296, NOVEMBER 15, 1974

1. SUMMARY. PRESIDENT GISCARD D'ESTAING AND HIS CABINET MINISTERS RESUME DEFENSE OF GOF AUSTERITY PROGRAM FOLLOWING APPARENT CLIMAX OF LABOR UNREST IN PUBLIC SECTOR. FORECAST BY BUSINESS GROUP FOR 1975 DISPUTES OFFICIAL OUTLOOK FOR REAL GROWTH AND INVESTMENT, BUT IS MORE OPTIMISTIC THAN GOF ON TRADE ACCOUNT. WHILE DATA ON ECONOMIC INDICATORS INCOMPLETE DUE TO MAIL STRIKE, EVIDENCE SUGGESTS GENERAL AGGRAVATION OF SITUATION IN OCTOBER ON MOST ECONOMIC FRONTS:
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PRICE INFLATION PICKED UP, OUTPUT DECLINED, UNEMPLOY-

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MENT ROSE SIGNIFICANTLY, TRADE DEFICIT BEGAN TO WIDEN ONCE MORE. END SUMMARY.

2. GOF AFFIRMS "QUALIFIED" AUSTERITY PROGRAM -

PRESIDENT GISCARD D'ESTAING WENT BEFORE FRENCH PEOPLE ONCE MORE NOVEMBER 26 TO AFFIRM WHAT APPEARS TO BE MODIFIED GOF APPROACH TO ECONOMIC SITUATION (SEE PARIS 28450). FOLLOWING WEEK IN WHICH LABOR UNREST IN PUBLIC SECTOR REACHED ITS APPARENT CLIMAX (PARIS 27603), PRESIDENT'S ADDRESS REITERATED POINTS BEING MADE LATELY BY PRIME MINISTER CHIRAC AND FINANCE MINISTER FOURCADE: GOF INTENDS TO PRESERVE EMPLOYMENT, SUSTAIN LEVEL OF ECONOMIC OUTPUT, AND ASSIST HARD-HIT FIRMS AND INDIVIDUALS AS ITS PRIMARY ECONOMIC OBJECTIVES. WHILE IN HIS AUGUST 27 SPEECH ON ECONOMY GISCARD STRESSED BATTLE AGAINST PRICE INFLATION, LATEST ADDRESS DEVOTED CONSIDERABLY MORE TIME TO NECESSITY OF MAINTAINING HIGH LEVELS OF ECONOMIC ACTIVITY AND EMPLOYMENT THAN TO ANTI-INFLATION OBJECTIVE. PRESIDENT MOREOVER FAILED TO MENTION EXCESSIVE WAGE INCREASES AS CAUSE OF INFLATION, A SUBJECT HE HAD SINGLED OUT FOR PARTICULAR ATTACK IN SUMMER SPEECH.

ONE WEEK EARLIER, CHIRAC SAID IN A TV INTERVIEW GOF WOULD NOT SACRIFICE ITS ANTI-INFLATION PROGRAM TO OBTAIN LABOR PEACE. NEVERTHELESS, GOF OBVIOUSLY GIVING INCREASING ATTENTION BOTH TO UNEMPLOYMENT SITUATION AND TO FIRMS SUFFERING SEVERELY FROM RESTRICTIVE ECONOMIC POLICIES. ON NOVEMBER 22, FOURCADE ANNOUNCED TO SENATE NEW MEASURES TO ASSIST "REDEPLOYMENT" OF BUSINESS, WITH SOME 300 MILLION FRANCS COMMITTED TO THAT END; AND ADDITIONAL 800 MILLION FRANCS IN LOANS AND UNBLOCKED CREDITS FORTHCOMING.

FOURCADE SAID GOF OBLIGED TO PREVENT "DISAPPEARANCE OF FUNDAMENTALLY HEALTHY FIRMS WHICH THEMSELVES COULD NOT OBTAIN FUNDS NECESSARY TO OVERCOME CERTAIN TRANSITORY DIFFICULTIES." THIS, COUPLED WITH GISCARD'S UNCLASSIFIED

PLEDGE TO "ASSIST THE FIRMS, PROTECT THE WORKERS," SEEMS TO INDICATE GOF DESIRE TO TAKE SOME OF THE "STING" OUT OF ITS RESTRICTIVE POLICIES, WHILE NONETHELESS REFUSING TO LOOSEN SCREWS FOR TIME BEING.

3. CHAMBER PREDICTS SLOWER GROWTH, HIGHER EXPORTS -

FRENCH REAL GROWTH IN 1975 WILL BE "ONLY"

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3.4 PERCENT, NOT 4.2 PERCENT AS EXPECTED BY GOF, ACCORDING TO REPORT BY ECONOMIC STUDIES CENTER OF PARIS CHAMBER OF COMMERCE. OVERALL BUSINESS ACTIVITY EXPECTED TO PROGRESS AT SLOWER RATE IN 1975 AND THUS AGGRAVATE (TO DEGREE AS YET UNKNOWN) UNEMPLOYMENT SITUATION. INFLATION SEEN AS SLOWING RELATIVE TO END-1974 PACE, BUT NOT TO DEGREE EXPECTED BY GOF: OVERALL RATE PREDICTED FOR 1975 IS 11.5 PERCENT. (OFFICIAL FORECAST IS 8 PERCENT.)

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XMB-04 OPIC-06 CIEP-02 LAB-03 SIL-01 OMB-01 AGR-10

/109 W

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R 291703Z NOV 74
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 4703
INFO AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
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ACCORDING TO REPORT, 1975 GROWTH IN INVESTMENTS AND DOMESTIC DEMAND WILL ALSO BE LESS STRONG THAN FORESEEN BY GOF. CONSUMER DEMAND EXPECTED TO

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INCREASE 3.2 PERCENT, SLIGHTLY BELOW OFFICIAL FORE-
CAST OF 3.5 PERCENT. INVESTMENT OUTLOOK MUCH MORE
PESSIMISTIC THAN IN GOF VIEW: CHAMBER REPORT SEES
GROWTH IN BUSINESS INVESTMENTS OF ONLY 1.4 PERCENT,
COMPARED TO 4.2 PERCENT PREDICTED BY FINANCE MINISTRY.

ON TRADE ACCOUNT, HOWEVER, CHAMBER REPORT IS
MORE OPTIMISTIC THAN GOF. EXPORTS ARE SEEN RISING
TO 99 PERCENT OF IMPORTS FOR 1975, COMPARED TO
OFFICIALLY-PREDICTED 96 PERCENT RATE OF COVER. DIVER-
GENCE IN FORECASTS DUE IN PART TO SLOWER RATE OF
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IMPORT GROWTH SEEN BY CHAMBER OF COMMERCE (4 PERCENT)
THAN BY GOF (4.2 PERCENT). MORE SIGNIFICANTLY, CHAMBER
REPORT FORECASTS STRONGER GROWTH IN EXPORTS, STIMULATED
BY EASING OF PRODUCTIVE-CAPACITY CONSTRAINTS AS WELL
AS POSSIBILITY OF MODERATE REVIVAL OF DEMAND IN
INDUSTRIALIZED COUNTRIES. IN PARTICULAR, REPORT FORESEES
FAVORABLE ECONOMIC SITUATION IN SOME SMALLER EUROPEAN
COUNTRIES WHILE REVIVAL OF DOMESTIC DEMAND EXPECTED
IN GERMANY, TO ADVANTAGE OF FRENCH CONSUMER-GOODS
EXPORTS.

4. PRICES RISE 1.3 PERCENT IN OCTOBER -

RATE OF RETAIL PRICE INFLATION PICKED UP AGAIN
IN OCTOBER WITH 1.3 PERCENT INCREASE OVER SEPTEMBER
LEVELS. INSEE (NATIONAL STATISTICS INSTITUTE) CONSUMER
PRICE INDEX FOR OCTOBER WAS 141.9 (1970 AS 100), UP
FROM 140.1 IN SEPTEMBER AND 138.6 IN AUGUST. OCTOBER
INCREASE THUS REVERSED MODERATING TREND ESTABLISHED
IN LATE SUMMER MONTHS (0.8 AND 1.1 PERCENT MONTHLY
RISES IN AUGUST AND SEPTEMBER RESPECTIVELY). INDEX
HAS ADVANCED 13 PERCENT SINCE JANUARY, BRINGING
PRICE INFLATION OVER FIRST TEN MONTHS OF YEAR TO
15.6 PERCENT ANNUAL RATE.

FINANCE MINISTER FOURCADE, SPEAKING ON RADIO
NOVEMBER 25, ASSERTED THAT INFLATION FOR 1974 AS A
WHOLE WILL BE IN 15 TO 15.5 PERCENT RANGE, THUS IMPLYING
THAT RISES IN NOVEMBER AND DECEMBER WILL NOT EXCEED
OCTOBER INCREASE. REAFFIRMING GOF OBJECTIVE OF
BRINGING INFLATION DOWN TO 8 PERCENT FOR 1975, FOURCADE
ADDED THAT GOF "WILL TAKE INCREASINGLY COERCIVE OR
STRICT MEASURES" TO REACH THAT GOAL.

5. UNEMPLOYMENT APPROACHES 3 PERCENT -

SEASONALLY ADJUSTED REGISTERED UNEMPLOYMENT ROSE

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TO 560,000 AT THE END OF OCTOBER, UP FROM 498,500
IN SEPTEMBER AND 464,400 IN AUGUST. ON BASIS OF
AVAILABLE DATA, WE CALCULATE SEASONALLY ADJUSTED
UNEMPLOYMENT IN OCTOBER AT ROUGHLY 2.9 PERCENT OF
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LABOR FORCE, COMPARED TO 2.6 PERCENT RATE IN SEPTEM-
BER AND 2.3-2.4 PERCENT RANGE JANUARY THROUGH AUGUST.
(SEE PARIS A-535 FOR METHODOLOGY.)

LABOR MINISTRY SPOKESMEN ADVISED THAT OCTOBER
FIGURES, WHILE "OFFICIAL", BE REGARDED WITH CAUTION
SINCE COLLECTION OF DATA DISRUPTED BY MAIL STRIKE.
MOREOVER, GOF HAS ESTIMATED THAT STRIKE-RELATED SLOW-
DOWNS (ESPECIALLY BY SMALLER AND MEDIUM-SIZED FIRMS
EXPERIENCING DELAYS IN RECEIVING NEW ORDERS AND PAYMENTS
FROM CUSTOMERS) HAS ADDED SOME 60,000 TO UNEMPLOYMENT
ROLLS.

LABOR MARKET INDICATORS
(SEASONALLY ADJUSTED,END-OF-MONTH)

	MAY	JUNE	JUL	AUG	SEP	OCT
REGISTERED UNEMPLOYED (THOUSANDS)	441.0	450.1	460.1	464.4	498.5	560.0
ESTIMATED OVERALL UNEMPLOYMENT RATE (AS PERCENT OF LABOR FORCE)	2.3	2.4	2.4	2.4	2.6	2.9

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XMB-04 OPIC-06 CIEP-02 LAB-03 SIL-01 OMB-01 AGR-10

/109 W

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R 291703Z NOV 74
FM AMEMBASSY PARIS
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INFO AMCONSUL BORDEAUX
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6. REVIVAL IN OUTPUT FAILS TO MATERIALIZE -

INDUSTRIAL OUTPUT IN SEPTEMBER DECLINED SLIGHTLY FROM LEVELS ATTAINED IN MID-SUMMER. OVERALL INSEE INDEX OF INDUSTRIAL PRODUCTION (SEASONALLY ADJUSTED, 1970 AS 100) WAS APPROXIMATELY 125 IN SEPTEMBER, DOWN ROUGHLY 2 PERCENT FROM 128 IN JULY-AUGUST. INCREASE OVER SEPTEMBER 1973 WAS ABOUT 1.6 PERCENT.

ACCORDING TO INSEE, SEPTEMBER FIGURE WAS "EXTRAP-OLATED" FROM AVAILABLE DATA, SINCE NEARLY ONE THIRD OF USUAL SURVEY RESPONSES HAD BEEN CUT OFF BY FRENCH POSTAL STRIKE.

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ASSUMING SEPTEMBER INDEX IS REASONABLY ACCURATE IT REPRESENTS RETURN TO JANUARY LEVELS OF OUTPUT, AND IN TERMS OF GROWTH OVER YEAR-EARLIER LEVELS SHOWS DISTINCT SLACKENING RELATIVE TO 4 AND 5 PERCENT RATES REGISTERED IN PREVIOUS THREE MONTHS.

7. TRADE DEFICIT WIDENS IN OCTOBER -

FOLLOWING PROGRESSIVE NARROWING DURING LATE

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SUMMER MONTHS, FRENCH TRADE DEFICIT WIDENED IN OCTOBER TO 2.0 BILLION FRANCS FROM 1.0 BILLION IN SEPTEMBER (SEASONALLY ADJUSTED, FOB-FOB). IMPORTS WERE 19.9 BILLION FRANCS, EXPORTS 17.9 BILLION FRANCS. TOTAL DEFICIT FOR FIRST TEN MONTHS OF YEAR AMOUNTED TO 16.9 BILLION FRANCS.

ABOVE FIGURES PROVISIONAL IN THAT COMPLETE REPORTS FROM CUSTOMS POSTS DELAYED BY POSTAL STRIKE. OCTOBER DATA SHOWED EXPORTS HAD SLIPPED TO 90 PERCENT OF IMPORTS (COMPARED TO 95 PERCENT IN SEPTEMBER), FOR AN ABSOLUTE DECLINE OF 7 PERCENT IN ONE MONTH.

8. OTHER REPORTS SUBMITTED DURING THE PERIOD -

TELEGRAMS

PARIS 27666 INVESTMENT/MNE EXER- NOVEMBER 20, 1974
CISE IN OECD COMMIT-
TEE IN SPECIAL SESSION
(XCSS)

AIRGRAMS

PARIS A-586 FRENCH FOREIGN EXCHANGE
HOLDINGS NOVEMBER 22, 1974

PARIS A-589 ECONOMIC TRENDS IN FRANCE
AND THEIR IMPLICATION
FOR THE UNITED STATES
(CERP 0004) NOVEMBER 25, 1974

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Draft Date: 29 NOV 1974
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Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
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Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PARIS28628
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740346-0948
From: PARIS
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1974/newtext/t1974113/aaaaabxv.tel
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